



ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## General Information

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### Mayoral committee

Executive Mayor	N.G Hlongwane
Speaker	M.P Gqelosha
Chief whip	D.E Tshabalala

### Members of the mayoral committee

MMC- Waste Management and Landfill Sites	V.M Godoli
MMC- Housing	M.L Khubeka
MMC- Public Safety	W.V Mcera
MMC- Corporate Services	K. Ntombela
MMC- Public Transport Roads and Public Works	S.E Pitso
MMC- Sports, Recreation, Arts and Culture	S.J Radebe
MMC- Health and Social Development	K.J.M Ranake
MMC- Finance	M.T Ronyuza
MMC- Infrastructure, Electricity, Water and Sanitation	N.R Thulo
MMC- Local Economic Development, Tourism and Development Planning	K. Malindi

### Municipal Manager

Samuel S Shabalala

### Chief Financial Officer (CFO)

Pontsho Matlala

### Grading of local authority

Grade 11

### Auditors

Auditor-General of South Africa

### Primary banking institution

ABSA Bank Limited

### Registered office

Cnr Frikkie Meyer Boulevard & Klasie Havenga Street  
Vanderbijlpark  
1900

### Business address

Cnr Frikkie Meyer Boulevard & Klasie Havenga Street  
Vanderbijlpark  
1900

### Postal address

P.O Box 3  
Vanderbijlpark  
1900

### Telephone number

(016) 950 5000

### Fax number

(016) 950 5050

### Email

shabalalas@emfuleni.gov.za

### Website

www.emfuleni.gov.za

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature and council:

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### Abbreviations

RUL	Review of Useful Life
NdK	Neil de Klerk (Pty) Ltd
DBSA	Development Bank of South Africa
H&A	Hill and Associates
GRAP	Generally Recognised Accounting Practice
MR	Minimum Requirements
CFO	Chief Financial Officer
IAS	International Accounting Standards
VAT	Value Added Tax
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
DMM	Deputy Municipal Manager
AFS	Annual Financial Statements
PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund

## **Emfuleni Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

### **Accounting Officer's responsibilities and approval**

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I am responsible for the preparation of these financial statements which are set out on pages 4 to 63, in terms of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers act, 1998 (Act no. 20 of 1998) and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

  
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**Accounting Officer**  
**S.S Shabalala**

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of financial position as at 30 June 2013

	Note(s)	2013 R	2012 Restated R
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	127,704,348	127,785,784
Trade and other receivables from exchange transactions	3	282,265,533	292,068,214
Trade and other receivables from non-exchange transactions	4	182,502,193	156,960,216
Inventories	5	24,041,347	20,536,147
Value added tax receivable	6	69,987,993	70,478,041
		<b>686,501,414</b>	<b>667,828,402</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	10,455,660,952	10,722,315,074
Investment property	8	1,104,405,968	976,217,000
Intangible assets	9	28,460,244	24,110,495
Heritage assets	10	346,517	459,280
		<b>11,588,873,681</b>	<b>11,723,101,849</b>
Non-current assets held for sale and assets of disposal groups		16,745	16,745
<b>Total assets</b>		<b>12,275,391,840</b>	<b>12,390,946,996</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	11	667,692,093	672,387,678
Unspent conditional grants and receipts	13	31,229,144	21,339,251
Borrowings	14	3,435,772	5,268,984
Finance lease liability	15	2,235,990	23,161,407
		<b>704,592,999</b>	<b>722,157,320</b>
<b>Non-current liabilities</b>			
Consumer deposits	12	33,938,710	33,537,913
Borrowings	14	23,485,389	26,920,992
Finance lease liability	15	-	1,050,316
Provisions	16	323,773,722	300,329,377
		<b>381,197,821</b>	<b>361,838,598</b>
<b>Total liabilities</b>		<b>1,085,790,820</b>	<b>1,083,995,918</b>
<b>Net assets</b>		<b>11,189,601,020</b>	<b>11,306,951,078</b>
<b>Net assets</b>			
Reserves			
Self-Insurance reserve		56,288,587	29,516,971
Accumulated surplus		11,133,312,433	11,277,434,107
<b>Total net assets</b>		<b>11,189,601,020</b>	<b>11,306,951,078</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

	Note(s)	2013 R	2012 Restated R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	17	2,591,388,035	2,201,818,620
Rental of facilities and equipment	18	11,195,309	11,439,141
Finance income	19	35,278,982	31,340,173
Trade and other licenses		12,907	13,008
Dividends received	19	3,025	9,532
Other income	20	97,202,331	94,668,322
<b>Total revenue from exchange transactions</b>		<b>2,735,080,589</b>	<b>2,339,288,796</b>
<b>Revenue from non-exchange transactions</b>			
Property rates	21	410,973,552	351,966,028
Donations		42,376,223	20,000
Fines	23	34,648,500	36,769,542
Government grants & subsidies	22	842,445,849	847,805,070
<b>Total revenue from non-exchange transactions</b>		<b>1,330,444,124</b>	<b>1,236,560,640</b>
<b>Total revenue</b>		<b>4,065,524,713</b>	<b>3,575,849,436</b>
<b>Expenditure</b>			
Employee related costs	24	(754,322,663)	(722,713,882)
Remuneration of councillors	25	(26,661,222)	(25,133,150)
Depreciation and amortisation	7	(513,855,529)	(801,147,512)
Impairment loss/ reversal of impairments		(1,485,741)	(5,027,629)
Finance costs	26	(32,425,322)	(21,976,265)
Debt impairment	3	(457,427,988)	(314,129,108)
Repairs and maintenance		(102,622,181)	(115,207,059)
Bulk purchases	27	(1,805,226,298)	(1,574,332,701)
Contracted services		(82,581,445)	(82,414,745)
Grants and subsidies paid		-	(18,178,673)
General expenses	28	(540,817,221)	(423,881,844)
<b>Total expenditure</b>		<b>(4,317,425,610)</b>	<b>(4,104,142,568)</b>
<b>Operating deficit</b>		<b>(251,900,897)</b>	<b>(528,293,132)</b>
(Loss)/gain on disposal of assets	29	(23,527,860)	(4,815,330)
Fair value adjustments		158,078,699	1,416,869,972
		<b>134,550,839</b>	<b>1,412,054,642</b>
<b>(Deficit)/Surplus for the year</b>		<b>(117,350,058)</b>	<b>883,761,510</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of changes in net assets

	Self-insurance reserve R	Accumulated surplus R	Total net assets R
<b>Balance at 01 July 2011</b>	<b>19,488,684</b>	<b>10,403,700,884</b>	<b>10,423,189,568</b>
Changes in net assets			
Transfers	10,028,287	(10,028,287)	-
Net transfers in net assets	10,028,287	(10,028,287)	-
Surplus for the year	-	883,761,510	883,761,510
Total recognised income and expenses for the year	10,028,287	873,733,223	883,761,510
Total changes	10,028,287	873,733,223	883,761,510
Opening balance as previously reported	29,516,971	10,160,715,191	10,190,232,162
Adjustments			
Correction of errors	-	1,116,718,916	1,116,718,916
<b>Balance at 01 July 2012 as restated</b>	<b>29,516,971</b>	<b>11,277,434,107</b>	<b>11,306,951,078</b>
Changes in net assets			
Surplus/(Deficit) for the year	-	(117,350,058)	(117,350,058)
Transfers/contribution	26,771,616	(26,771,616)	-
Total changes	26,771,616	(144,121,674)	(117,350,058)
<b>Balance at 30 June 2013</b>	<b>56,288,587</b>	<b>11,133,312,433</b>	<b>11,189,601,020</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Cash flow statement

	Note(s)	2013 R	2012 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		2,144,252,776	1,831,005,331
Grants		852,335,742	807,895,660
Interest income		35,278,982	31,340,173
Dividends received		3,025	9,532
Other receipts		570,866,845	378,146,626
		<u>3,602,737,370</u>	<u>3,048,397,322</u>
<b>Payments</b>			
Employee costs		(757,539,540)	(695,218,692)
Suppliers		(1,998,630,734)	(1,711,268,119)
Finance costs		(32,425,322)	(21,976,265)
Other payments		(540,817,196)	(442,060,528)
		<u>(3,329,412,792)</u>	<u>(2,870,523,604)</u>
<b>Net cash flows from operating activities</b>	30	<u><b>273,324,578</b></u>	<u><b>177,873,718</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(246,657,028)	(190,688,920)
Proceeds from sale of property, plant and equipment	7	(3,932,705)	(1,863,550)
Proceeds from sale of investment property	8	3,843,654	450,000
Purchase of intangible assets	9	-	(131,578)
Proceeds from sale of intangible assets	9	70,042	1,338,852
Purchases of heritage assets	10	(7,940)	-
Proceeds from sale of heritage assets	10	121,700	-
(Increase)/decrease in non-current investment		-	55,000
<b>Net cash flows from investing activities</b>		<u><b>(246,562,277)</b></u>	<u><b>(190,840,196)</b></u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(5,268,815)	(6,840,822)
Movement in consumer deposits		400,797	2,351,514
Finance lease payments		(21,975,733)	(74,144,625)
<b>Net cash flows from financing activities</b>		<u><b>(26,843,751)</b></u>	<u><b>15,985,698</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(81,450)</b>	<b>3,019,220</b>
Cash and cash equivalents at the beginning of the year		127,785,784	124,766,564
<b>Cash and cash equivalents at the end of the year</b>	2	<u><b>127,704,334</b></u>	<u><b>127,785,784</b></u>



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Referer
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	2,826,991,462	(98,307,979)	2,728,683,483	2,591,388,035	(137,295,448)	
Rental of facilities and equipment	12,614,596	35,487	12,650,083	11,195,309	(1,454,774)	
Trade and other licenses	11,000	-	11,000	12,907	1,907	
Other income	95,034,532	(10,367,139)	84,667,393	97,202,331	12,534,938	Note 41(
Interest received - investment	29,705,399	1,455,453	31,160,852	35,278,982	4,118,130	
Dividends received	-	-	-	3,025	3,025	
<b>Total revenue from exchange transactions</b>	<b>2,964,356,989</b>	<b>(107,184,178)</b>	<b>2,857,172,811</b>	<b>2,735,080,589</b>	<b>(122,092,222)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	396,524,977	-	396,524,977	410,973,552	14,448,575	
Other taxation revenue 1	37,714	-	37,714	42,376,223	42,338,509	
Other taxation revenue 2	32,399,048	(16,795)	32,382,253	34,648,500	2,266,247	
Government grants & subsidies	901,185,934	12,297,221	913,483,155	842,445,849	(71,037,306)	
<b>Total revenue from non-exchange transactions</b>	<b>1,330,147,673</b>	<b>12,280,426</b>	<b>1,342,428,099</b>	<b>1,330,444,124</b>	<b>(11,983,975)</b>	
<b>Total revenue</b>	<b>4,294,504,662</b>	<b>(94,903,752)</b>	<b>4,199,600,910</b>	<b>4,065,524,713</b>	<b>(134,076,197)</b>	
<b>Expenditure</b>						
Personnel	(693,323,964)	(59,065,788)	(752,389,752)	(754,322,663)	(1,932,911)	
Remuneration of councillors	(32,841,253)	(4,842,147)	(37,683,400)	(26,661,222)	11,022,178	Note 41(
Depreciation and amortisation	(351,444,057)	1,442,061	(350,001,996)	(513,855,529)	(163,853,533)	
Impairment loss/ Reversal of impairments	-	-	-	(1,485,741)	(1,485,741)	
Finance costs	(11,914,964)	2,170,834	(9,744,130)	(32,425,322)	(22,681,192)	Note 41(
Debt impairment	(962,759,755)	194,251,983	(768,507,772)	(457,427,988)	311,079,784	Note 41(
Repairs and maintenance	(137,978,315)	32,460,169	(105,518,146)	(102,622,181)	2,895,965	
Bulk purchases	(1,741,068,920)	40,180,059	(1,700,888,861)	(1,805,226,298)	(104,337,437)	
Contracted Services	(86,408,293)	10,009,275	(76,399,018)	(82,581,445)	(6,182,427)	
Grants and subsidies paid	(1,191,923)	(924,728)	(2,116,651)	-	2,116,651	Note 41(
General Expenses	(501,525,721)	(6,028,947)	(507,554,668)	(540,817,221)	(33,262,553)	
<b>Total expenditure</b>	<b>(4,520,457,165)</b>	<b>209,652,771</b>	<b>(4,310,804,394)</b>	<b>(4,317,425,610)</b>	<b>(6,621,216)</b>	
<b>Operating deficit</b>	<b>(225,952,503)</b>	<b>114,749,019</b>	<b>(111,203,484)</b>	<b>(251,900,897)</b>	<b>(140,697,413)</b>	
Loss on disposal of assets and liabilities	1,203,484	-	1,203,484	(23,527,860)	(24,731,344)	
Fair value adjustments	224,749,019	(114,749,019)	110,000,000	158,078,699	48,078,699	
	<b>225,952,503</b>	<b>(114,749,019)</b>	<b>111,203,484</b>	<b>134,550,839</b>	<b>23,347,355</b>	
<b>Deficit before taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(117,350,058)</b>	<b>(117,350,058)</b>	

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement		-	-	- (117,350,058)	(117,350,058)	

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting policies

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### 1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. Amounts are presented in South African Rand.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in the accounting policies are explained in the relevant policy.

#### 1.1 Significant judgements and sources of estimation

The preparation of annual financial statements in conformity with standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgements and underlying assumptions are reviewed on a constant basis. Significant judgements include:

##### Trade receivables and other receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

##### Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

##### Impairment testing

The recoverable amount of cash generating units and recoverable amount/ recoverable service amount of individual assets have been determined based on the higher of value in use calculations and fair values less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the fair value assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events and changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest value for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and assumptions were made that the areas may stay the same in size for a number of years. The increase in the restoration provision due to passage of time is recognised as borrowing cost in the statement of financial performance.

The estimates are discounted at a discount rate that reflects current market assessments of the time value of money.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting policies

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### 1.1 Significant judgements and sources of estimation (continued)

#### Contingent liabilities

Contingencies disclosed in the current year required estimates and judgements. Additional disclosure of these contingent liabilities is included in the relevant note.

#### Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the medical obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related medical liability.

Other key assumptions for pension obligations are based on current market conditions.

#### Effective interest rate

The municipality used the prime interest rate plus 2% to discount future cash flows as at 30 June.

#### Allowance for credit losses

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

#### Self- insurance reserve

A reserve is held to settle future claims against the municipality. Funds are transferred based on external risk factor and premium determined.

### 1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality and the cost or fair value of the investment property can be measured reliably.

Investment property is recognised at fair value. The fair value of investment reflects market conditions at the reporting date.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Compensation from third parties for investment property that was impaired, lost or given up, is recognised in surplus or deficit when the compensation becomes receivable.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting policies

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### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, or for administrative purposes and are expected to be used during more than one accounting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.:

Property plant and equipment are measured at fair value at date of acquisition less accumulated depreciation where assets have been acquired by grant or donation and for assets that were newly identified through formal asset verification procedures for which cost records are not available or not reliable at date of acquisition. Fair value is determined with consideration of market value, other valuation techniques and Directive 7 issued by the Accounting Standards Board.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and standby equipment which are expected to be used for more than one accounting period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is calculated on the depreciable amount (cost less residual value), using the straight line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

Item	Useful life
Infrastructure	
• Roads and paving	20
• Pedestrian mall	30
• Electricity	50-60
• Water	15-20
• Sewerage	15-20
• Housing	30
Community assets	
• Buildings	30
• Recreational facilities	20-30
• Security	5
Other assets	
• Buildings	30
• Specialist vehicles	10
• Other vehicles	5
• Office equipment	3-7
• Furniture and fittings	7-10
• Watercraft	15
• Bins and containers	5
• Specialised plant and equipment	10-15
• Other items of plant and equipment	2-5
• Landfill sites	30-55
• Computer software	3-5

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting policies

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### 1.3 Property, plant and equipment (continued)

An asset only has a residual value when the useful life of the asset (the period the asset is used or available for use) is shorter than the economic life of the asset (the period the asset is used or available for use by all users or owners of the asset). As the municipality plans to use the assets for the entire economic lives, the residual value is considered to be negligible or even zero.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated, owing to the uncertainty regarding their estimated useful lives. One of the key features of heritage assets is that they are held indefinitely for the purposes of preserving such assets for the benefit of present and future generations. Costs incurred to enhance or restore a heritage asset to preserve its indefinite useful life are capitalised as part of the cost of the asset. Such costs are recognised in the carrying amount of the heritage asset.

Land is not depreciated as it is deemed to have an indefinite life.

The residual value, the useful life and depreciation method of each asset are reviewed at each reporting date when events or changes in circumstances suggest that the carrying amount may not be recoverable. If the expectations differ from previous estimate, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit, unless it is included in the carrying amount of another asset.

### Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to surplus or deficit.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

If an intangible asset was acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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### 1.4 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

For intangible assets with a finite useful life, the residual value is always deemed to be zero unless:

- (a) A third party has committed to purchase the asset at the end of its useful life;
- (b) There is an active market for the asset and;
  - (i) the residual value can be determined by reference to that market; and
  - (ii) it is probable that such a market will exist at the end of the assets useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite, is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	3-5 years
Computer software, other	3-5 years
Intangible assets under development	3-5 years

### 1.5 Heritage assets

Heritage assets, which are culturally significant, environmental, natural, scientific or technological resources and which are shown at cost, are not depreciated, owing to the uncertainty regarding their estimated useful lives. One of the key features of heritage assets is that they are held indefinitely for the purposes of preserving such assets for the benefit of present and future generations.

The municipality has taken advantage of the transitional period of three years for the implementation of GRAP 103 with regards to measurement of the assets.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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### 1.6 Financial instruments

#### Classification

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Cash and cash equivalents	Financial asset at amortised cost
Trade and other receivables from exchange transactions	Financial asset at amortised cost
Consumer debtors	Financial asset at amortised cost
Long term receivables	Financial asset at amortised cost
Investments	Financial asset at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Borrowings	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

#### Initial recognition and measurement

Financial assets and financial liabilities are initially recognised at fair value. Where an economic entity subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

Financial assets and financial liabilities are subsequently measured at amortised cost.

A financial instrument is valued at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an economic entity modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A financial asset and financial liability are not offset in the statement of financial position unless a legal right of set-off exists and the parties intend to settle on a net basis.



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting policies

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### 1.6 Financial instruments (continued)

#### Impairment of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor;
- restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise, indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers in the municipality;
- economic conditions that correlate with defaults, or
- the disappearance of an active market for a security

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

The municipality derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

#### Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### Trade and other payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. These are initially and subsequently recorded at fair value.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting policies

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### 1.6 Financial instruments (continued)

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

#### Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- for financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, through the amortisation process.

### 1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.8 Inventories

Inventories include consumable stores, maintenance materials, spare parts for the plant and equipment, work in progress and land and property held for sale.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting policies

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### 1.8 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Unsold properties for the purpose of resale are accounted for as inventory. The fair value was determined by the appointed Municipal Valuer per the Valuation Roll that came into effect on 1 July 2012. Direct costs are accumulated for each separately identifiable development. Costs also include a portion of overhead cost, if the cost occur frequently and are separately identifiable.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.9 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

#### Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.10 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting policies

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### 1.10 Employee benefits (continued)

#### Other post retirement obligations

The municipality provides post-retirement health care benefits to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations using the projected unit credit method.

#### Long term employee benefits

The municipality provides long service awards. Awards are accrued over the period of employment. Independent qualified actuaries carry out valuations of these awards.

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The discount rate is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition, contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

### 1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting policies

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### 1.12 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed; and
- the proportion that costs incurred to date bear to the total estimated costs of the transaction

Revenue arising from application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised in surplus or deficit using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting policies

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### 1.13 Revenue from non-exchange transactions (continued)

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue is measured at the fair value of the asset recorded less any liability recognised.

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses are recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme, may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

## Accounting policies

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### 1.13 Revenue from non-exchange transactions (continued)

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset, less any investment income on the temporary investment of those borrowings.
- weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on impairment of assets. In certain circumstances. The amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale is complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.15 Self-insurance reserve

A self-insurance reserve (SIR) covers claims that may occur, subject to external insurance policy terms and conditions. Premiums are charged to the respective services taking into account claims history, the insured value of property, plant and equipment and number of fleet vehicles.

Contributions by the departments to the self-insurance reserve are transferred from the contribution expenditure account of the department to the self-insurance reserve according to amounts budgeted for in the operating budget.

Claim payments received from external insurers are utilised in the calculation of gain or loss on the scrapping of damaged assets and are recorded in the statements of financial performance.

Claim payments received in respect of repairs, damages and/or losses to assets are receipted to the insurance cost centre income account and are then transferred from the insurance cost centre expenditure account to the insurance reserve where it is reflected as income.

Repair and replacement costs not fully covered by external insurance are paid from the insurance cost centre expenditure account that is then financed or reimbursed by a transfer from the self-insurance reserve to the insurance cost centre income account. The repair and replacement cost is reflected as expense in the self-insurance reserve.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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### 1.16 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.19 Irregular expenditure

Irregular expenditure is expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by National Treasury or the relevant authority, is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is updated accordingly.

### 1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of Generally Recognised Accounting Practice (GRAP).

### 1.21 Budget information

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the legally adopted budget.



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting policies

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### 1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include:

Key management personnel, close members of the family of key management personnel and councillors

Key management personnel include all directors or members of the municipal council of the reporting entity where that council has jurisdiction. The council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives. Therefore, key management personnel will include the Municipal Manager, Deputy Municipal Managers and Chief Financial Officer of the municipality.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Where transactions occurred between the municipality and any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate; Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.23 Events after reporting date

Events after the reporting date are defined as favourable and unfavourable events that occur between the reporting date and the date the annual financial statements are authorised for issue.

The date of authorisation for issue is the date on which the Accounting Officer signs off the annual financial statements.

Two types of events can be identified

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>2. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	9,819	9,819
Bank balances	9,041,383	12,847,753
Call accounts	118,653,146	114,928,212
	<b>127,704,348</b>	<b>127,785,784</b>

The primary banking institution is ABSA bank, whilst the following secondary banking institutions are also applicable:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA Bank - Current account - 530-000-0087	10,653,931	13,797,520	16,595,487	7,601,679	11,626,726	16,495,105
ABSA Bank - Salary account - 405-774-9059	946,352	451,310	721,664	946,352	451,310	492,161
First National Bank - Traffic fines - 620-723-53396	82,786	115,607	1,220,330	82,786	115,607	1,220,330
ABSA bank - Traffic fines - 407-683-0782	10,000	10,000	279,632	10,000	10,000	279,632
Standard bank - Current - 420-502-084	182,672	88,153	-	183,337	88,153	-
Nedbank - Current - 101-065-4888	75,806	555,957	-	75,806	555,957	-
Standard Bank - Current account - 021-879-370	141,422	-	-	141,442	-	-
<b>Total</b>	<b>12,092,969</b>	<b>15,018,547</b>	<b>18,817,113</b>	<b>9,041,402</b>	<b>12,847,753</b>	<b>18,487,228</b>

### Call accounts

Invested with	01 July 2012	Invested	Interest capitalised	Withdrawn & charges	30 June 2013
ABSA-9122309604	145,160	-	32	(145,192)	-
ABSA-9129312474	987	-	-	(987)	-
ABSA-9086195975	176,369	-	65	(176,434)	-
ABSA-4074200632	242,283	-	644	(242,927)	-
ABSA-9208236189	434,791	-	12,209	-	447,000
ABSA-4075657501	1,221,236	-	19,829	(1,241,065)	-
ABSA-4077657402	487,972	-	2,276	(490,248)	-
ABSA-4077657525	325,516	-	4,428	(329,944)	-
ABSA-4077657478	44,821	-	60	(44,881)	-
ABSA-4077657567	1,173	-	-	(1,173)	-
STD Bank-028606817#21	285,254	-	-	(285,254)	-
STD Bank-028606817#27	441,810	-	-	(441,810)	-
STD Bank-028606817#35	311,217	-	-	(311,217)	-
STD Bank-028606817#36	171,000	-	-	(171,000)	-
STD Bank-028606817#42	102,064	-	-	(102,064)	-
STD Bank-028606817#43	140,500	-	-	(140,500)	-
STD Bank-028606817#47	2,514,952	-	77,047	(2,591,999)	-
STD Bank-028606817#54#58	11,489,648	-	731,059	-	12,220,707
STD Bank-028606817#55	471,151	-	8,030	(479,181)	-
STD Bank-028606817#57	189,812	-	5,815	(195,627)	-
STD Bank-028606817#59#61	-	105,000,000	1,842,414	(106,842,414)	-

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

### 2. Cash and cash equivalents (continued)

STD Bank-	-	30,000,000	-	-	30,000,000
028606817#60#62					
Investec-1400192509500	41,788,552	57,304,000	-	(86,137,385)	12,955,167
Investec-1400192905501	2,754	-	41	(2,795)	-
Nedbank-	431,639	-	-	(431,639)	-
03/7881044284#003					
Nedbank-	1,048,803	-	-	(1,048,803)	-
03/7881044284#008					
Nedbank-	6,034,056	-	-	-	6,034,056
03/7881044284#010					
Nedbank-	1,096,474	-	-	(165,990)	930,484
03/7881044284#015					
Nedbank-	731,951	-	-	(731,951)	-
03/7881044284#0020					
Nedbank-	477,188	-	376	(477,564)	-
03/7881044284/0021					
Nedbank-	11,258,838	-	-	(3,062,225)	8,196,613
03/7881044284/0022					
Nedbank-	9,953,530	-	-	(847,790)	9,105,740
03/7881044284/0025					
Nedbank-	4,247,456	-	-	(2,027,357)	2,220,099
03/7881044284/0026					
Nedbank-	12,224,078	-	-	(92,346)	12,131,732
03/7881044284/0029					
Nedbank-	3,577,980	-	96,544	(3,191,953)	482,571
03/7881044284/0033					
Nedbank-	2,737,005	-	144,189	(32,877)	2,848,317
03/7881044284/0036					
Nedbank-	65,194	-	9,797	(74,991)	-
03/7881044284/0037					
FNB-76367738315	-	1,800,000	67,899	(1,867,899)	-
FNB-74367738977	-	1,250,000	43,489	(547,056)	746,433
FNB-74367739701	-	10,500,000	345,079	(10,500,000)	345,079
FNB-74374323399	-	1,000,000	31,554	(691,074)	340,480
FNB-74374324149	-	1,800,000	66,760	(1,866,760)	-
FNB-74377598238	-	1,615,000	51,779	(711,380)	955,399
FNB-74380919140	-	260,000	8,361	-	268,361
FNB-74380915750	-	2,111,000	65,573	(2,176,573)	-
FNB-74383258313	-	5,009,000	144,743	(5,153,743)	-
FNB-74386489808	-	56,282,000	356,422	(55,346,215)	1,292,207
FNB-74386379801	-	3,369,060	94,659	(3,369,061)	94,658
FNB-74388711621	-	3,600,000	79,233	(3,242,314)	436,919
FNB-74397968742	-	4,840,000	65,181	(4,180,589)	724,592
FNB-74397969584	-	8,730,000	45,426	(8,730,000)	45,426
FNB-74398420113	-	86,100	1,497	-	87,597
FNB-74386451401	-	74,685,000	482,915	(60,255,977)	14,911,938
FNB-74408742994	-	770,000	6,573	-	776,573
Sanlam-Shares	55,000	-	-	-	55,000
	<b>114,928,214</b>	<b>370,011,160</b>	<b>4,911,998</b>	<b>(371,198,224)</b>	<b>118,653,148</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>3. Trade and other receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	314,408,275	308,877,681
Water	1,095,817,119	869,655,140
Sewerage	426,915,916	402,926,902
Refuse	261,330,135	218,176,872
	<b>2,098,471,445</b>	<b>1,799,636,595</b>
<b>Less: provision for debt impairment</b>		
Electricity	(216,396,601)	(151,987,900)
Water	(971,136,312)	(785,690,077)
Sewerage	(385,753,515)	(366,153,668)
Refuse	(242,919,484)	(203,736,736)
	<b>(1,816,205,912)</b>	<b>(1,507,568,381)</b>
<b>Net balance</b>		
Electricity	98,011,674	156,889,781
Water	124,680,807	83,965,063
Sewerage	41,162,401	36,773,234
Refuse	18,410,651	14,440,136
	<b>282,265,533</b>	<b>292,068,214</b>
<b>Water, electricity, sewerage and refuse</b>		
Current (0 -30 days)	167,038,157	129,285,907
31 - 60 days	86,766,932	63,569,423
61 - 90 days	74,030,959	47,540,965
91 days +	1,770,635,397	1,559,240,300
	<b>2,098,471,445</b>	<b>1,799,636,595</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(1,507,568,381)	(1,134,937,290)
Contributions to allowance	(308,637,531)	(249,903,689)
Debt written off against provision	-	(122,727,402)
	<b>(1,816,205,912)</b>	<b>(1,507,568,381)</b>

### Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Although credit quality can be assessed, the municipality did not apply any method to evaluate the credit quality.

### Doubtful debt

Government accounts - 0% of the total outstanding amount

Indigent accounts - 0% of outstanding amount

Sundry accounts - 100% between 91 and 180 days

Business/industrial - 100% between 91 and 180 days

All other accounts outstanding between 91 and 180 days, collectable based on the payment ratio for the past 12 months.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>3. Trade and other receivables from exchange transactions (continued)</b>		
<b>Bad debt</b>		
Government accounts - 0% of the total outstanding amount		
Indigent accounts - 100% of outstanding amount		
Sundry accounts - 100% between 181 and more days		
Business/industrial - 100% between 181 and more days		
All other accounts with outstanding amounts between 181 and more, not collected		
<b>4. Trade and other receivables from non-exchange transactions</b>		
Property rates	391,329,521	336,777,691
Impairment property rates	(304,035,951)	(268,607,232)
Other receivables	485,655,919	372,081,488
Impairment - other receivables	(450,784,149)	(338,609,435)
Other debtors	60,336,853	54,695,704
Grant debtors	-	622,000
	<b>182,502,193</b>	<b>156,960,216</b>
<b>Reconciliation of provision for impairment of trade and other receivables from non-exchange transactions</b>		
Balance at beginning of the year	607,216,667	542,991,248
Contributions to allowance	148,790,458	64,225,419
Debt written off against provision	(1,187,025)	-
	<b>754,820,100</b>	<b>607,216,667</b>
<b>Property rates</b>		
Current (0-30 days)	32,023,346	25,751,986
31-60 days	12,982,710	9,338,630
61-90 days	10,942,228	7,546,094
91-120 days	335,381,237	286,967,584
	<b>391,329,521</b>	<b>329,604,294</b>
<b>5. Inventories</b>		
Consumable stores	23,486,988	20,084,971
Water	554,359	451,176
	<b>24,041,347</b>	<b>20,536,147</b>
<b>6. Value added tax receivable</b>		
VAT	69,987,993	70,478,041

Value added tax is payable on the receipts basis and is paid over to South African Revenue Services only once payment is received from debtors. The value added tax receivable relates to net input vat claimable from SARS.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

Figures in Rand

### 7. Property, plant and equipment

	2013				2012			
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment
Dwellings	540,850,387	(175,519,209)	365,331,178	571,162,741	(175,519,209)	395,643,532		
Non residential structures	574,319,008	-	574,319,008	580,438,716	-	580,438,716		
Infrastructure	10,598,649,054	(1,569,580,074)	9,029,068,980	10,913,038,687	(1,569,580,074)	9,343,458,613		
Movable assets	826,255,881	(768,190,059)	58,065,822	108,770,027	(25,866,169)	82,903,858		
Finance leased assets	157,707,145	(102,944,265)	54,762,880	198,221,633	(102,944,265)	95,277,368		
Capital work in progress	374,113,084	-	374,113,084	224,592,987	-	224,592,987		
<b>Total</b>	<b>13,071,894,559</b>	<b>(2,616,233,607)</b>	<b>10,455,660,952</b>	<b>(12,596,224,791)</b>	<b>(1,873,909,717)</b>	<b>10,722,315,074</b>		

### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	AUC released	Disposals	Newly Identified	Transfers	Depreciation	Impairment loss	Total
Dwellings	395,643,532	-	-	-	-	-	(30,312,354)	-	365,331,178
Non residential structures	580,438,716	7,458,207	2,704,676	-	-	-	(16,173,947)	(108,644)	574,319,008
Infrastructure	9,343,458,613	59,155,093	22,528,216	(1,732,812)	19,239,383	-	(413,149,380)	(430,133)	9,029,068,980
Movable Assets	82,903,858	5,290,739	-	(9,163,215)	6,804,497	(7,675,330)	(19,266,224)	(828,503)	58,065,822
Finance leased assets	95,277,368	-	-	(8,699,128)	-	-	(31,744,426)	(70,934)	54,762,880
Capital work in progress	224,592,987	174,752,989	(25,232,892)	-	-	-	-	-	374,113,084
<b>Total</b>	<b>10,722,315,074</b>	<b>246,657,028</b>	<b>-</b>	<b>(19,595,155)</b>	<b>26,043,880</b>	<b>(7,675,330)</b>	<b>(510,646,331)</b>	<b>(1,438,214)</b>	<b>10,455,660,952</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

Figures in Rand

### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	AUC transfers	Disposals	Donated & newly identified assets	Transfers	Depreciation	Impairment loss	Total
Land	398,526,373	-	1,377,315	(755,000)	-	(399,148,688)	-	-	-
Dwellings	404,478,062	-	14,122,685	-	-	7,492,436	(30,449,651)	-	395,643,532
Non residential structures	249,224,437	26,060	1,598,188	-	8,229	344,635,080	(15,052,078)	(1,200)	580,438,716
Infrastructure	9,661,814,765	2,150	61,219,140	74,699	-	35,861,737	(411,918,861)	(3,595,017)	9,343,458,613
Movable assets	105,071,001	5,183,646	-	(2,271,479)	2,368,301	(5,168,287)	(21,243,807)	(1,035,517)	82,903,858
Finance leased assets	126,300,816	-	-	-	-	-	(30,403,521)	(619,927)	95,277,368
Capital work in progress	117,433,251	170,108,655	(62,948,919)	-	-	-	-	-	224,592,987
	<b>11,062,848,705</b>	<b>175,320,511</b>	<b>15,368,409</b>	<b>(2,951,780)</b>	<b>2,376,530</b>	<b>(16,327,722)</b>	<b>(509,067,918)</b>	<b>(5,251,661)</b>	<b>10,722,315,074</b>

#### Change in estimates (Change in RUL)s

The ELM technical departments reviewed the RULs on existing assets as at 1 July 2012. During the review it was decided by ELM that the certain component's estimated useful life, remaining useful life and or residual value should be changed. The financial implication is that the annual depreciation will increase by R65,222,624.91 in the 2012/13 financial year.

#### Impairment of Land and Vanderbijlpark town substation

The town substation was burnt due to an electrical fault. The pitched trusses, IBR corrugated sheets, ceilings and electrical equipment was burnt. The wall was also not stable due to the severe fire.

ELM impaired certain land as portions of the land is being illegally occupied / encroached upon. These impairments were included in the 2013 FAR and are based on the percentage of land being illegally occupied

#### Fair value adjustments

During the year under review, moveable assets were newly identified and fair valued.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
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### 8. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	1,104,405,968	-	1,104,405,968	976,217,000	-	976,217,000

#### Reconciliation of investment property - 2013

	Opening balance	Disposals	Transfers	Total
Investment property	976,217,000	(3,843,654)	132,032,622	1,104,405,968

#### Reconciliation of investment property - 2012

	Opening balance	Disposals	Total
Investment property	976,667,000	(450,000)	976,217,000

Rental received from investment property is included in the disclosure of rental of facilities and equipment in note 18 of the financial statements.

#### Details of valuation

The effective date of the revaluations was 30 June 2013. Revaluations were performed by an independent valuer, Neil de Klerk (Pty) Ltd. Neil de Klerk (Pty) Ltd are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Rental received from investment property is included in the disclosure of rental of facilities and equipment in note 18 of the financial statements

#### Fair value adjustments

Investment property is measured using the fair value model. An analysis of property sale prices for all transactions where most of the municipality's investment properties are held was performed. This analysis indicates that a 14.6% fair value is necessary for investment property as at 30 June 2013.

All properties were reviewed by the department. Certain land portions are being illegally occupied / encroached upon. GRAP indicates that impairment adjustment are not recorded for investment property subsequently measured on the fair value model. Therefore the decision was taken to adjust the fair value to reflect the encroachment.

The total fair value adjustment for 2012/13 is R 132,032,622.



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

Figures in Rand

### 9. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	10,885,280	3,725,448	14,610,728	22,863,254	(12,602,275)	10,260,979
Servitudes	13,849,516	-	13,849,516	13,849,516	-	13,849,516
Total	24,734,796	3,725,448	28,460,244	36,712,770	(12,602,275)	24,110,495

### Reconciliation of intangible assets - 2013

	Opening balance	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software Servitudes	10,260,979 13,849,516	(70,042) -	7,675,330 -	(3,209,211) -	(46,328) -	14,610,728 13,849,516
<b>Total</b>	<b>24,110,495</b>	<b>(70,042)</b>	<b>7,675,330</b>	<b>(3,209,211)</b>	<b>(46,328)</b>	<b>28,460,244</b>

### Reconciliation of intangible assets - 2012

	Opening balance	AUC Transfers	Disposals	Transfers	Amortisation	Total
Computer software Servitudes	12,833,149 -	131,578 -	(1,338,852) -	2,478,207 13,849,516	(3,843,103) -	10,260,979 13,849,516
<b>Total</b>	<b>12,833,149</b>	<b>131,578</b>	<b>(1,338,852)</b>	<b>16,327,723</b>	<b>(3,843,103)</b>	<b>24,110,495</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
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### 10. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	347,554	(1,037)	346,517	460,317	(1,037)	459,280

### Reconciliation of heritage assets 2013

	Opening balance	Additions	Disposals	Newly Identified	Impairment losses recognised	Total
Heritage assets	459,280	7,940	(121,700)	2,197	(1,200)	346,517

### 11. Trade and other payables from exchange transactions

Trade payables	446,764,691	452,177,598
Payments received in advance	76,736,952	77,809,761
Retentions	28,015,150	31,166,139
Outstanding cheques	3,624,742	9,023,119
Accrued interest	3,030,550	2,263,715
Accrual for annual leave	46,712,772	42,995,213
Accrual for 13th cheque	33,875,359	31,159,131
Year-end salary creditors	26,412,416	23,092,777
Unclaimed wages	843,342	730,547
Other payables	1,676,119	1,969,678
	<b>667,692,093</b>	<b>672,387,678</b>

### Present value of trade and trade payables

Trade and other payables	287,472,803	447,523,375
Discounting	(5,342,499)	(9,862,678)
	<b>282,130,304</b>	<b>437,660,697</b>

### 12. Consumer deposits

Electricity and water	33,938,710	33,537,913
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The amounts reflected represent a cost value, as it is impracticable to determine fair value. Management however believes that the cost value approximates the fair value. Bank guarantees to the value of R5 912 205 form part of the amount disclosed as R33 938 710.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>13. Unspent conditional grants and receipts</b>		
Unspent conditional grants and receipts comprises of:		
Department of water affairs grant	930,484	930,484
HIV/AIDS grant	288,140	-
Library grant	3,107,398	2,795,627
Department of agriculture conservation and the environment grant	-	1,000,467
Regional sewer scheme	1,134,668	1,134,668
Bontle ke botho	1,529,639	746,529
National electrification grant	10,073,886	-
Projects funded ex Sedibeng district municipality	2,704,127	2,704,127
Sedibeng regional sewer scheme	9,110,125	9,110,125
Sport and recreation	560,132	560,132
Municipal systems improvement grant	3,294	-
Electricity demand grant	1,517,299	2,087,140
Debtors book project	219,952	219,952
Municipal systems improvement grant Sedibeng	50,000	50,000
	<b>31,229,144</b>	<b>21,339,251</b>

Refer to note 22 for detailed movements on grants

### 14. Borrowings

<b>At amortised cost</b>		
Borrowings	26,921,161	32,189,976
<b>Non-current liabilities</b>		
At amortised cost	23,485,389	26,920,992
<b>Current liabilities</b>		
At amortised cost	3,435,772	5,268,984

#### Operating leases - Municipality as lessor

These leases are in respect of municipal property that is leased to third parties. These leases are payable by lessees, either monthly or annually. Leases escalate at annual fixed rates that vary between 0% and 8.5%.

No contingent rent was recognised as revenue because rental increases are escalated at a fixed percentage. Increases are not based on indices that result in a fluctuating interest rate.

#### Operating leases - Municipality as lessee - Fleet

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

#### Operating leases - Municipality as lessee - Office Equipment

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>15. Finance lease liability</b>		
<b>Minimum lease payments due</b>		
- within one year	2,235,990	23,161,407
- in second to fifth year inclusive	-	1,050,316
	<u>2,235,990</u>	<u>24,211,723</u>
less: future finance charges	-	(1,050,316)
<b>Present value of minimum lease payments</b>	<u><b>2,235,990</b></u>	<u><b>23,161,407</b></u>
<p>The average lease term was 3-5 years and the average effective borrowing rate was 8.5%. Interest rates are either fixed or variable at contract date. All leases have fixed or variable repayments and in certain instances contingent rent is payable, as per stipulation in the lease agreements.</p> <p>The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The municipality did not default on any of the interest or capital repayments of the finance leases. No terms or condition of finance leases were re-negotiated. All risks and rewards of ownership remain with the lessor of the lease and there is no option to purchase the leased asset. There is no restriction imposed on the lease agreement.</p>		
<b>Operating leases - Municipality as lessor - property</b>		
within one year	1,159,323	1,203,833
in second to fifth year inclusive	2,141,411	3,674,195
	<u><b>3,300,734</b></u>	<u><b>4,878,028</b></u>
<b>Operating leases - Municipality as lessee - fleet</b>		
within one year	5,602	2,382,639
in second to fifth year inclusive	-	147,547
	<u><b>5,602</b></u>	<u><b>2,530,186</b></u>
<b>Operating leases - Municipality as lessee - office equipment</b>		
within one year	1,370,143	831,390
in second to fifth year inclusive	1,211,152	1,108,519
	<u><b>2,581,295</b></u>	<u><b>1,939,909</b></u>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
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### 16. Provisions

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	114,185,811	6,851,148	-	121,036,959
Provision-long service awards	59,163,261	-	(2,728,383)	56,434,878
Provision for post-employment health care benefits	126,980,305	19,321,580	-	146,301,885
	<b>300,329,377</b>	<b>26,172,728</b>	<b>(2,728,383)</b>	<b>323,773,722</b>

#### Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	107,773,638	6,412,173	114,185,811
Provision-long service awards	52,508,155	6,655,106	59,163,261
Provision for post-employment health care benefits	87,419,244	39,561,061	126,980,305
	<b>247,701,037</b>	<b>52,628,340</b>	<b>300,329,377</b>

Refer to note 39 for details of long service awards and post-employment health care benefits

#### Environmental rehabilitation provision

With regards to the Provision for Landfill sites: It is stated in the Department of Water Affairs "Minimum Requirements for Waste Disposal by Landfill", Second Edition 1998, Chapter 2.3.4, that "All landfills except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be considered closed. Closure will involve, inter alia, the application of final cover, top soiling, vegetating, and drainage maintenance and leachate management."

Rehabilitation costs in respect of geo-hydrological monitoring are anticipated to be a recurring cost for the next:

20 years – Waldrift landfill site

6 years – Boitsepi landfill site

30 years – Palm Springs landfill site

The valuation of the land on which the landfill sites is situated was determined by Messrs Neil de Klerk (Pty) Ltd. (NdK). NdK appointed Messrs Hill & associates (H&A) to determine the value of the land as the land is encumbered by waste and this requires an Environmental Engineers input.

#### Waldrift

The current disposal rate is approximately 4 000 tons per month (153 tons per day) and the expected site life is 20 years.

A GMB- landfill site, in terms of the Minimum Requirements (MR) for waste disposal by landfill, 1998, will require the following for rehabilitation:

1. The waste must be shaped to allow for water to runoff with no ponding allowed on the site;
2. The waste must be a capping with a layer of clay a minimum of 300mm thick;
3. The clay must be a capping with a layer of topsoil a minimum of 200mm thick;
4. The top soiled area must be grassed to minimize the effects of erosion either by wind or water;
5. A Landfill Gas mitigation plan, i.e. gas extraction or release, is required.

The soils to be used for the capping will be obtained from local stockpile sources within close proximity to the site. It is assumed that the work will be done by external parties, i.e. Civil Engineering Contractor.

The cost estimate to close the landfill site in 2013 is R7 233 987 excl. VAT which will need to be expanded using the CPI for the area to the year of final rehabilitation

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
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### 16. Provisions (continued)

#### Boitsepi

The current disposal rate is approximately 25 000 tons per month (961 tons per day) and the expected site life is 6 years. A GLB+ landfill site, in terms of the Minimum Requirements (MR) for waste disposal by landfill, 1998, will require the following for rehabilitation:

1. The waste must be shaped to allow for water to runoff with no ponding allowed on the site;
2. The shaped waste must be a capping with a layer of 19mm stone a minimum of 150mm thick for gas drainage;
3. The shaped drainage layer must be covered with a layer of A4 bidim;
4. The bidim must be a capping with a layer of clay a minimum of 450mm thick;
5. The clay must be a capping with a layer of topsoil a minimum of 200mm thick;
6. The top soiled area must be grassed to minimize the effects of erosion either by wind or water;
7. A Landfill Gas mitigation plan, i.e. gas extraction or release, is required.

The soils to be used for the capping must be imported from commercial sources within close proximity to the site. It is assumed that the work will be done by external parties, i.e. Civil Engineering Contractor

The cost estimate to close the landfill site in 2013 is R69 709 199 excl. VAT which will need to be expanded using the CPI for the area to the year of final rehabilitation

#### Palm Springs

The current disposal rate is approximately 5 000 tons per month (192 tons per day) and the expected site life is 30 years. A GMB- landfill site, in terms of the Minimum Requirements (MR) for waste disposal by landfill, 1998, will require the following for rehabilitation:

1. The waste must be shaped to allow for water to runoff with no ponding allowed on the site;
2. The waste must be a capping with a layer of clay a minimum of 300mm thick;
3. The clay must be a capping with a layer of topsoil a minimum of 200mm thick;
4. The top soiled area must be grassed to minimize the effects of erosion either by wind or water;
5. A Landfill Gas mitigation plan, i.e. gas extraction or release, is required.

The soils to be used for the capping must be imported from commercial sources within close proximity to the site. It is assumed that the work will be done by external parties, i.e. Civil Engineering Contractor

The cost estimate to close the landfill site in 2013 is R44 093 772 excl. VAT which will need to be expanded using the CPI for the area to the year of final rehabilitation.

### 17. Service charges

Sewerage and sanitation charges	179,501,525	197,320,365
Sale of electricity	1,615,708,094	1,415,814,929
Sale of water	667,181,773	492,337,050
Refuse removal	128,996,643	96,346,276
	<u>2,591,388,035</u>	<u>2,201,818,620</u>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>18. Rental of facilities and equipment</b>		
<b>Premises</b>		
Rental of facilities	11,190,256	11,437,026
<b>Facilities and equipment</b>		
Rental of equipment	5,053	2,115
	<b>11,195,309</b>	<b>11,439,141</b>
<b>19. Finance income</b>		
<b>Dividend revenue</b>		
Other financial asset	3,025	9,532
<b>Finance income</b>		
Interest on arrears	24,695,367	21,234,644
Bank	10,583,615	10,105,529
	<b>35,278,982</b>	<b>31,340,173</b>
	<b>35,282,007</b>	<b>31,349,705</b>
<b>20. Other income</b>		
Access to information	403,081	472,546
Capital contribution	7,161,473	7,102,349
Dishonoured cheques	62,760	53,618
Refunds	3,069,155	3,148,822
Sundries/unallocated income	17,263,872	12,507,201
Surplus cash	7,271	10,938
Warning services	2,002,310	2,442,613
Advertising	131,071	171,377
Informal trading revenue	345,492	263,577
Alienation of stand	40,594	79,375
Compensation for servitude	61,047	-
Reconnection fees	8,671,838	17,576,120
Planning fees	96,643	88,850
Sale of tender documents	900,200	1,786,100
Zoning certificates	53,778	68,906
Activity room/auditorium	30,761	22,160
Building plans	1,867,452	1,036,915
Cemeteries	5,494,209	4,984,366
Entrance fees	107	91
General service fees	6,350,529	6,710,735
Fire rescue services	908,669	1,920,186
Flammable liquid	79,357	72,371
Refuse dumping landfill site	9,505,205	13,497,438
Lost and damaged library material	4,974	4,006
Industrial effluent	848,367	924,925
Departmental charges	31,842,116	19,722,737
	<b>97,202,331</b>	<b>94,668,322</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>21. Property rates</b>		
<b>Rates</b>		
Rates levied	<u>410,973,552</u>	<u>351,966,028</u>
<b>Valuations</b>		
Residential	51,011,173,000	44,017,204,000
Business	7,852,592,020	6,698,894,000
Industrial	4,166,515,000	3,921,071,001
State owned properties	1,424,691,000	1,315,450,000
Municipal	771,274,000	254,257,000
Agricultural	1,155,720,000	1,111,852,000
Other	953,258,000	406,156,000
	<u>67,335,223,020</u>	<u>57,724,884,001</u>



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>22. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	597,142,000	539,842,000
Department of water affairs	-	165,990
HIV/AIDS grant	141,860	561,506
Finance management grant	1,250,000	8,750,000
Health grant	-	68,239
Restructuring grant	-	2,080,048
Regional sewer scheme	-	11,747,242
Bontle ke botho	-	930
Department of agriculture conservation and the environment grant	2,100,467	228,160
Sport and recreation	-	520,342
Municipal systems improvement grant	996,706	800,000
Social development grant	-	14,102,498
Social grant (evictions)	-	26,330,339
Expanded public works programme grant	5,216,000	4,961,258
Infrastructure skills development grant	19,230,000	-
Provincial health subsidy	43,413,632	42,711,952
	<u>669,490,665</u>	<u>652,870,504</u>
<b>Capital grants</b>		
Library grant	1,418,229	7,206,589
National electrification programme	16,926,114	9,890,400
Restructuring grant	-	12,396,780
Electricity demand site management	569,841	3,912,860
Asset management	-	1,800,000
Kwa-Masiza	-	15,500,000
Municipal infrastructure grant	154,041,000	144,227,937
	<u>172,955,184</u>	<u>194,934,566</u>
	<u>842,445,849</u>	<u>847,805,070</u>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

### Department of water affairs and forestry

Balance unspent at beginning of year	930,484	1,096,474
Conditions met - transferred to revenue	-	(165,990)
	<u>930,484</u>	<u>930,484</u>

Conditions still to be met - remain liabilities (see note 13).

This grant is used for water demands management.

### Municipal infrastructure grant

Balance unspent at beginning of year	-	17,242,937
Current-year receipts	154,041,000	126,985,000
Conditions met - transferred to revenue	(154,041,000)	(144,227,937)
	<u>-</u>	<u>-</u>

This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld by the grantor.

### Restructuring grant

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>22. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	-	18,249,475
Withheld by treasury during the financial year	-	(18,249,475)
	<u>-</u>	<u>-</u>

No grant was received for the 2012/13 financial year.

This grant is used for meeting particular financial and institutional improvement targets, targeting mainly service delivery and local economic development.

### National electrification programme

Balance unspent at beginning of year	-	673,525
Current-year receipts	27,000,000	9,890,400
Conditions met - transferred to revenue	(16,926,114)	(9,890,400)
Withheld by treasury during the financial year	-	(673,525)
	<u>10,073,886</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 13).

To implement the integrated national electrification programme (INEP) by providing capital subsidies to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure in order to improve quality of supply.

### Asset management project

Balance unspent at beginning of year	-	-
Current-year receipts	-	1,800,000
Conditions met - transferred to revenue	-	(1,800,000)
	<u>-</u>	<u>-</u>

No grant was received for the 2012/13 financial year.

### Kwa Masiza grant

Balance unspent at beginning of year	-	-
Current-year receipts	-	15,500,000
Conditions met - transferred to revenue	-	(15,500,000)
	<u>-</u>	<u>-</u>

No grant was received for the 2012/13 financial year.

### Electricity demand site management grant

Balance unspent at beginning of year	2,087,140	-
Current-year receipts	-	6,000,000
Conditions met - transferred to revenue	(569,841)	(3,912,860)
	<u>1,517,299</u>	<u>2,087,140</u>

Conditions still to be met - remain liabilities (see note 13).

To provide subsidies to municipalities to implement electricity demand site management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

### Library grant

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>22. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	2,795,627	2,802,216
Current-year receipts	1,730,000	7,200,000
Conditions met - transferred to revenue	(1,418,229)	(7,206,589)
	<b>3,107,398</b>	<b>2,795,627</b>

Conditions still to be met - remain liabilities (see note 13).

The purpose of the grant is to financially support municipal library services in the administration of libraries, in order to render efficient, effective and economic library and information services to communities.

### HIV/AIDS grant

Balance unspent at beginning of year	-	37,346
Current-year receipts	430,000	524,160
Conditions met - transferred to revenue	(141,860)	(561,506)
	<b>288,140</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

This grant is used for various purposes depending on the business plan submitted.

### Financial management grant

Balance unspent at beginning of year	-	750,000
Current-year receipts	1,250,000	8,750,000
Conditions met - transferred to revenue	(1,250,000)	(8,750,000)
Withheld by treasury during the financial year	-	(750,000)
	<b>-</b>	<b>-</b>

This grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA.

### Health grant

Balance unspent at beginning of year	-	68,239
Conditions met - transferred to revenue	-	(68,239)
	<b>-</b>	<b>-</b>

No grant was received for the 2012/13 financial year.

This grant is used to improve primary health care facilities in the ELM area.

### Regional sewer scheme

Balance unspent at beginning of year	1,134,668	(1,862,813)
Current-year receipts	-	26,298,099
Conditions met - transferred to revenue	-	(11,747,242)
Re-allocation of expenditure to correct grant	-	(11,553,376)
	<b>1,134,668</b>	<b>1,134,668</b>

Conditions still to be met - remain liabilities (see note 13).

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
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### 22. Government grants and subsidies (continued)

This grant supplements the financing of the social component of regional bulk water and sanitation. It targets projects that cut across the boundaries of other municipalities. The grant supplements regional bulk collection and waste water treatment works. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects.

#### Bontle ke botho

Balance unspent at beginning of year	746,529	743,368
Current-year receipts	783,110	4,090
Conditions met - transferred to revenue	-	(929)
	<u>1,529,639</u>	<u>746,529</u>

Conditions still to be met - remain liabilities (see note 13).

The MEC agriculture conservation and environment, initiated a clean and green programme based on the Johannesburg plan of implementation, whereby the municipalities, wards and schools are encouraged to keep the nearest places clean. This is done through a campaign named Bontle ke botho which rewards the best municipality.

#### Social development grant

Balance unspent at beginning of year	-	5,102,498
Current-year receipts	-	9,000,000
Conditions met - transferred to revenue	-	(14,102,498)
	<u>-</u>	<u>-</u>

No grant was received for the 2012/13 financial year.

#### Municipal systems improvement grant

Balance unspent at beginning of year	-	500,000
Current-year receipts	1,000,000	800,000
Conditions met - transferred to revenue	(996,706)	(800,000)
Withheld by treasury during the financial year	-	(500,000)
	<u>3,294</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 13).

To assist municipalities to build in-house capacity to perform their functions and stabilise institutional governance systems as required in the Municipal Systems Act (MSA), and other related legislation policies and the local government turnaround strategy - the focus being MPRA, effective implementation of ward committees and improvement to fixed asset registers.

#### Department of agriculture conservation and the environment

Balance unspent at beginning of year	1,000,467	728,627
Current-year receipts	1,100,000	500,000
Conditions met - transferred to revenue	(2,100,467)	(228,160)
	<u>-</u>	<u>1,000,467</u>

Funds used for implementation of Emfuleni alien vegetation eradication project.

Additional text

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>22. Government grants and subsidies (continued)</b>		
<b>Expanded public works programme</b>		
Balance unspent at beginning of year	-	1,290,258
Current-year receipts	5,216,000	3,049,000
Debtor year end	-	2,395,416
Conditions met - transferred to revenue	(5,216,000)	(6,734,674)
	<u>-</u>	<u>-</u>

To provide expanded public works programme (EPWP) incentive funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

### Security grant (evictions)

Balance unspent at beginning of year	-	-
Current-year receipts	-	26,330,339
Conditions met - transferred to revenue	-	(26,330,339)
	<u>-</u>	<u>-</u>

No grant was received for the 2012/13 financial year.

### Health and environment subsidies

Current-year receipts	43,413,633	42,711,952
Conditions met - transferred to revenue	(43,413,633)	(42,711,952)
	<u>-</u>	<u>-</u>

### Sports and recreation grant

Balance unspent at beginning of year	560,132	1,118,854
Current-year receipts	-	(38,380)
Conditions met - transferred to revenue	-	(520,342)
	<u>560,132</u>	<u>560,132</u>

Conditions still to be met - remain liabilities (see note 13).

### Infrastructure skills development grant

Current-year receipts	19,230,000	-
Conditions met - transferred to revenue	(19,230,000)	-
	<u>-</u>	<u>-</u>

To strengthen the capacity of local government to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills available and to facilitate lifelong learning and the transfer of knowledge to the municipalities. To sustain infrastructure related capacity in local government.

### Projects funded ex Sedibeng district municipality

Balance unspent at beginning of year	<u>2,704,127</u>	<u>2,704,127</u>
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Conditions still to be met - remain liabilities (see note 13).

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
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### 22. Government grants and subsidies (continued)

Funds are used for upgrading of cemeteries. No funds have been withheld by the grantor.

#### Municipal systems infrastructure grant (Sedibeng)

Balance unspent at beginning of year	50,000	50,000
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>50,000</u>	<u>50,000</u>

Conditions still to be met - remain liabilities (see note 13).

Funds meant to fund an LED project. No funds have been withheld by the grantor.

#### Sedibeng regional sewer scheme

Balance unspent at beginning of year	9,110,125	9,953,530
Conditions met - transferred to revenue	-	(12,396,780)
Re-allocation of expenditure to regional sewer scheme (correction)	-	11,553,375
	<u>9,110,125</u>	<u>9,110,125</u>

Conditions still to be met - remain liabilities (see note 13).

This grant supplements the financing of the social component of regional bulk water and sanitation. It targets projects that cut across the boundaries of several municipalities. The grant supplements regional bulk collection and wastewater treatment works. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects.

#### Debtors book restructuring grant

Balance unspent at beginning of year	219,952	-
Current-year receipts	-	2,300,000
Conditions met - transferred to revenue	-	(2,080,048)
	<u>219,952</u>	<u>219,952</u>

Conditions still to be met - remain liabilities (see note 13).

To provide financial assistance to the municipality for the implementation of the Gauteng revenue enhancement and debtor management project (Municipal debtors book project). Structuring of the debtors book and preparatory work.

### 23. Traffic fines

Traffic fines income	<u>34,648,500</u>	<u>36,769,542</u>
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Included in the traffic fines income, are fines issued but not yet received at year end totalling R11 211 170 (2012: R5 825 682)

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>24. Employee related costs</b>		
Basic salaries	445,972,870	405,094,728
13th cheque	33,299,108	30,421,304
Medical aid - company contributions	40,414,324	35,658,996
Unemployment insurance fund (UIF)	3,843,921	3,363,624
Leave pay provision charge	6,994,776	7,142,675
Provision for leave and 13th cheque	6,433,788	6,911,072
Provision for long service awards and medical aid	11,366,174	46,216,167
Pension fund contribution	86,912,455	80,219,226
Overtime payments	46,016,353	45,698,330
Car allowance	35,583,284	30,241,079
Housing benefits and allowances	2,398,923	2,603,261
Other allowance	10,539,738	7,675,396
Group insurance	24,546,949	21,468,024
	<b>754,322,663</b>	<b>722,713,882</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	1,590,163	1,218,717
Travel, motor car, accommodation, subsistence and other allowances	427,736	530,736
	<b>2,017,899</b>	<b>1,749,453</b>
<b>Chief Financial Officer</b>		
Annual remuneration (2013: 0 months, 2012: 08 months)	-	723,427
Travel, motor car, accommodation, subsistence and other allowances	-	78,344
	<b>-</b>	<b>801,771</b>
The position of CFO was vacant for the 2012/2013 financial year.		
<b>Corporate Services (DMM)</b>		
Annual remuneration (2013: 12 months, 2012: 08 months)	1,035,833	551,590
Travel, motor car, accommodation, subsistence and other allowances	126,500	245,967
	<b>1,162,333</b>	<b>797,557</b>
<b>Basic Services (DMM)</b>		
Annual remuneration (2013: 12 months, 2012: 12 months)	1,447,000	1,250,000
Travel, motor car, accommodation, subsistence and other allowances	18,000	17,400
	<b>1,465,000</b>	<b>1,267,400</b>
<b>Chief Audit Executive</b>		
Annual remuneration (2013: 12 months, 2012: 12 months)	982,868	716,800
Travel, motor car, accommodation, subsistence and other allowances	196,200	304,073
Performance Bonuses	63,370	-
	<b>1,242,438</b>	<b>1,020,873</b>
<b>Economic Development and Planning (DMM)</b>		
Annual remuneration (2012: 12 months, 2011: 12 months)	1,250,000	918,212
Travel, motor car, accommodation, subsistence and other allowances	18,000	405,227

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>24. Employee related costs (continued)</b>	<b>1,268,000</b>	<b>1,323,439</b>
<b>Public Safety (DMM)</b>		
Annual remuneration (2013: 12 months, 2012: 08 months)	1,140,000	583,590
Travel, motor car, accommodation, subsistence and other allowances	128,000	236,631
	<b>1,268,000</b>	<b>820,221</b>
<b>Infrastructure Planning and Asset Management (DMM)</b>		
Annual remuneration (2013: 12 months, 2012: 12 months)	1,221,120	1,032,000
Travel, motor car, accommodation, subsistence and other allowances	186,000	185,400
	<b>1,407,120</b>	<b>1,217,400</b>
<b>Chief Operating Officer</b>		
Annual remuneration (2013: 12 months, 2012: 12 months)	1,082,529	883,000
Travel, motor car, accommodation, subsistence and other allowances	138,000	137,400
	<b>1,220,529</b>	<b>1,020,400</b>
<b>Chief Risk Officer</b>		
Annual remuneration (2013: 12 months, 2012: 08 months)	655,948	397,600
Travel, motor car, accommodation, subsistence and other allowances	264,300	167,200
	<b>920,248</b>	<b>564,800</b>
<b>Chief Information Officer</b>		
Annual remuneration (2013: 12 months, 2012: 01 months)	762,000	82,500
Travel, motor car, accommodation, subsistence and other allowances	245,900	-
	<b>1,007,900</b>	<b>82,500</b>
<b>Head of Revenue</b>		
Annual Remuneration (2013: 11 months, 2012: 0 months)	1,145,833	-
Travel, motor car, accommodation, subsistence and other allowances	16,500	-
	<b>1,162,333</b>	<b>-</b>
The position for Head of Revenue was vacant for one month during the 2012/13 financial year.		
<b>25. Remuneration of councillors</b>		
Mayoral Committee members	6,711,727	6,356,651
Councillors	19,949,495	18,776,499
	<b>26,661,222</b>	<b>25,133,150</b>

### In-kind benefits

The office of Executive Mayor, Speaker and Mayoral Committee members are full time positions. Each is provided with an office and secretariat support at the cost of the municipality.

The Mayor makes use of a municipal owned vehicle for official duties.



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>25. Remuneration of councillors (continued)</b>		
<b>Mayor</b>		
Annual Remuneration (2013: 12 months, 2012: 12 months)	512,042	485,348
Travel, motor car, accommodation, subsistence and other allowances	236,111	223,802
	<b>748,153</b>	<b>709,150</b>
<b>Speaker</b>		
Annual Remuneration (2013: 12 months, 2012: 12 months)	409,634	388,278
Travel, motor car, accommodation, subsistence and other allowances	176,898	167,680
	<b>586,532</b>	<b>555,958</b>
<b>26. Finance costs</b>		
Interest paid	15,462,189	2,869,378
Borrowings	16,963,133	19,106,887
	<b>32,425,322</b>	<b>21,976,265</b>
<b>27. Bulk purchases</b>		
Electricity	1,332,961,772	1,162,498,725
Water	472,264,526	411,833,976
	<b>1,805,226,298</b>	<b>1,574,332,701</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>28. General expenses</b>		
Advertising	2,872,351	4,073,727
Audit fees	5,513,554	5,643,727
Bank charges	1,914,914	1,440,744
Commission paid	9,356,759	5,751,200
Consulting and professional fees	6,562,097	3,307,445
Consumables	3,616,646	4,423,379
Insurance	22,990,795	22,259,564
Conferences and seminars	3,685,967	3,504,248
Lease rentals on operating lease	43,519,452	34,141,876
Transport fees	47,130,683	21,777,582
Magazines, books and periodicals	360,736	795,964
Medical expenses	256,771	136,366
Recoverable works	36,783	18,277
Relocation cost	17,050	34,100
Postage and courier	5,756,071	5,219,158
Printing and stationery	6,108,322	5,876,022
Staff expenditure	10,958,527	11,092,789
Royalties and license fees	2,541,415	1,874,483
Security (Guarding of municipal property)	32,221,419	36,684,783
Software expenses	1,958,201	2,952,554
Subscriptions and membership fees	1,261,515	348,718
Telephone and fax	6,980,152	4,932,871
Training	22,302,294	9,367,668
Electricity	3,046,177	4,655,571
Uniforms	4,973,763	2,743,902
Special programmes	33,285,373	27,694,139
Municipal usage	37,187,983	17,590,088
Indigent support	203,134,601	160,619,909
Valuation roll expense	39,429	119,248
Public expenditure	449,228	337,376
Chemicals	69,350	-
Other expenses	20,708,843	24,464,366
	<b>540,817,221</b>	<b>423,881,844</b>

"Other expenses" consist of various minor expenses.

### 29. (Loss)/ gain on sale of assets

Loss on disposal of assets	(23,527,860)	(4,815,330)
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# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>30. Cash generated from operations</b>		
(Deficit) surplus	(117,350,058)	883,761,510
<b>Adjustments for:</b>		
Depreciation and amortisation	513,855,529	801,147,512
Gain on sale of assets	23,527,860	4,815,330
Fair value adjustments	(158,078,699)	(1,416,869,972)
Impairment loss	1,485,741	5,027,629
Debt impairment	457,427,988	314,129,108
Movements in provisions	23,444,345	52,628,340
<b>Changes in working capital:</b>		
Inventories	(3,505,200)	(649,193)
Other receivables from non-exchange transactions	(25,541,977)	(116,729,415)
Trade and other receivables from exchange transactions	(447,625,307)	(321,984,872)
Trade and other payables from exchange transactions	(4,695,585)	61,335,568
VAT	490,048	(48,828,417)
Unspent conditional grants and receipts	9,889,893	(39,909,410)
	<b>273,324,578</b>	<b>177,873,718</b>

## 31. Correction of error

During the 2012/13 financial year the following adjustments were made to transactions whereby amounts were erroneously stated in previous financial periods. The comparative amounts have been restated as follows:

### Transactions affecting statement of changes in net assets: accumulated surplus 2012/13

Interest received-investment	6,328,963
Depreciation	296,305,610
Fair value adjustments	(1,412,395,841)
Donations	(20,000)
General expenses	(3,352,334)
Grants and subsidies paid	(60,399)
Government grant & subsidies	1,773,416
Repairs and maintenance	(3,352,375)
Other Income	(2,278,538)
Contracted services	(874,327)
Bulk purchases	2,054
Loss on disposal of asset	1,205,000
	<b>(1,116,718,771)</b>

## 32. Unauthorised, irregular, fruitless and wasteful expenditure disallowed

Opening balance	4,327,534	176,592
Fruitless and wasteful expenditure current year	176,468	2,365,797
Condoned or written off by council	-	(1,282,351)
Subsequently recovered	-	(1,050,072)
Unauthorised expenditure	-	4,117,568
	<b>4,504,002</b>	<b>4,327,534</b>

Interest amounting to R176 467.98, was incurred due to late payment of accounts.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>33. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>PAYE and UIF</b>		
Opening balance	7,675,668	6,819,452
Current year payables	108,876,927	93,077,811
Amount paid - current year	(99,584,245)	(85,402,143)
Amount paid - previous years	(7,675,668)	(6,819,452)
	<b>9,292,682</b>	<b>7,675,668</b>

### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Owner	Total
Maseko BP	17,426	17,426
Tatae ET	13,796	13,796
Matsei NP	10,492	10,492
Mahlase KM	7,109	7,109
	<b>48,823</b>	<b>48,823</b>

30 June 2012	Owner	Total
Radebe SJ	203,713	203,713
Hlongwane NG	62,814	62,814
Moera WV	38,262	38,262
Tatae TE	36,518	36,518
Matsei NP	32,727	32,727
Mahlase KM	28,977	28,977
Maseko BP	24,951	24,951
Rapapali LG	22,249	22,249
Tshabalala NS	19,197	19,197
Mzangwa VH	10,905	10,905
Wright JW	9,827	9,827
Skelem PC	5,228	5,228
Mooko CS	2,821	2,821
Rani LB	2,428	2,428
Malisa DM	2,060	2,060
Ranake KJM	1,780	1,780
Sotsu VO	1,092	1,092
Thulo MR	968	968
	<b>506,517</b>	<b>506,517</b>

### 34. Electricity and water distribution losses

Distribution losses relate to unaccounted for electricity and water losses. These losses arise mainly from illegal connections from both electricity and water networks, physical losses due to network operations and economical losses due to faulty meters. The total distribution losses for electricity is 346 911 979 kilowatts (R261 529 354) and for water is 29 367 251 kilolitres (R169 274 580). The total percentage of distribution loss for electricity is 14.84% (17% for 2011/12) and for water is 31.9% (36.5% for 2011/12).

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

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### 35. Contingencies

#### Contingent liability (civil matters)

Claim	Description	Amount
1	Vaalshow Ground-Property rights	68,000,000
2	Pele Selepe-claim for negligence	5,000,000
3	SALA Pension-outstanding contributions	3,900,000
4	Spies & Nkamane-3rd party claim	1,762,924
5	C De Jager-claim for defamation	1,500,000
6	Tladi Kekana- termination of contract	1,400,000
7	Vaalmac- claim for damages	1,360,000
8	DJ Bischoff-unlawful dismissal	1,200,000
9	Janine Snooke- damage to property	1,000,000
10	Castals CC-servitude to property	760,972
11	Maluleke Seriti-Legal fees	650,000
12	Bowman Gilfillan-Legal fees	500,000
13	Jooste- unlawful arrest	300,000
14	Inyata-breach of contract	270,000
15	PH Haman cc-delictual claim	137,014
16	PJ Pienaar-unlawful detention	100,000
17	Super Group-damage to property	75,000
18	Realty North-3rd party claim	70,000
19	PI Kloppers-damage to property	29,024
20	J Cilliers-damage to property	23,159
		<hr/>
		88,038,093

#### Contingent liabilities (Insurance)

During the financial 2012/13 financial year, the municipality encountered 34 claims, which were repudiated. The total value of repudiated third party claims was R1 574 691.84.

### 36. Related parties

Section 56 managers  
Councillors

#### Section 56 managers

No remuneration was paid to families of Section 56 managers

#### Members of Council

No remuneration was paid to family members of council

All councillors and employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over council in making financial and operating decisions.

### 37. Events after the reporting date

The municipality acquired an overdraft facility amounting to R150 million after the reporting date as resolved by council, furthermore the municipality concluded a contract for the restructuring of the non performing portion of the debtors' book. This entails awarding a contract for the "rights to collect" overdue municipal accounts in excess of 90 days, with the guaranteed proceeds amounting to R240 million.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

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### 38. New standards and interpretations

#### 38.1 Standards and interpretations effective and adopted in the current period

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

**GRAP 23: Revenue from non-exchange transactions**

**GRAP 24: Presentation of Budget Information in the Financial Statements**

**GRAP 21: Impairment of non-cash-generating assets**

**GRAP 104: Financial Instruments**

**GRAP 103: Heritage Asset – the municipality has taken advantage of the 3 years phase-in period.**

#### 38.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

#### **GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 — Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions UN the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

## Notes to the annual financial statements

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### 38. New standards and interpretations (continued)

#### GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees; Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;

Defined benefit plans as post-employment benefit plans other than defined contribution plans;

Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:

- pool the assets contributed by various entities that are not under common control; and
- use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;

Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service; Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;

Post-employment benefit plans as formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees;

Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;

State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;

Termination benefits as employee benefits payable as a result of either:

- An entity's decision to terminate an employee's employment before the normal retirement date; or an
- employee's decision to accept voluntary redundancy in exchange for those benefits;

Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

Short-term employee benefits;

All short-term employee benefits;

Short-term compensated absences;

Bonus, incentive and performance related payments;

Post-employment benefits: Defined contribution plans;

Other long-term employee benefits;

Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

Multi-employer plans;

Defined benefit plans where the participating entities are under common control;

State plans;

Composite social security programmes;

Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

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## Notes to the annual financial statements

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### 38. New standards and interpretations (continued)

Recognition and measurement;  
Presentation;  
Disclosure;  
Accounting for the constructive obligation;  
Statement of financial position;  
Asset recognition ceiling;  
Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;  
Statement of financial performance.

The standard prescribes recognition and measurement for:

Present value of defined benefit obligations and current service cost:

Actuarial valuation method;  
Attributing benefits to periods of service;  
Actuarial assumptions;  
Actuarial assumptions: Discount rate;  
Actuarial assumptions: Salaries, benefits and medical costs;  
Actuarial gains and losses;  
Past service cost.

Plan assets:

Fair value of plan assets;  
Reimbursements;  
Return on plan assets

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

### GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

The municipality is unable to reliably estimate the impact of the amendment on the financial statements.



## Notes to the annual financial statements

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### 38. New standards and interpretations (continued)

#### 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties; identifying the circumstances in which disclosure of the items in (a) and (b) is required; and determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

A person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.

An entity is related to the reporting entity if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow

controlled entity is related to the others);

- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic

entity of which the other entity is a member);

- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the

entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;

- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

## Notes to the annual financial statements

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### 38. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

### GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendments is for years beginning on or after 01 April 2013

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

### GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously: Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

### GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

### GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

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### 38. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

#### **GRAP 13 (as revised 2012): Leases**

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

#### **GRAP 16 (as revised 2012): Investment Property**

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

#### **GRAP 17 (as revised 2012): Property, Plant and Equipment**

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

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### 38. New standards and interpretations (continued)

#### GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,

- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

## Notes to the annual financial statements

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### 38. New standards and interpretations (continued)

#### IGRAP16: Intangible assets website costs

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annual reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of the websites development can be described as follows:

- Planning — includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.

- Application and infrastructure development — includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.

- Graphical design development — includes designing the appearance of web pages.

- Content development — includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>39. Employee benefit obligations</b>		
<b>Post employment health care benefits</b>		
Opening accrued liability	126,980,335	87,419,244
Current-service cost	4,658,691	1,506,446
Interest cost	1,901,920	7,301,883
Contributions made	(10,581,236)	(7,420,447)
Previously unrecognised liability	-	33,410,017
Previously recognised liability not applicable	-	(7,976,149)
Revaluation gain/(loss)	1,466,889	12,739,341
	<b>124,426,599</b>	<b>126,980,335</b>
Annual expense/ (total)	<b>7,824,465</b>	<b>39,561,061</b>
<b>Key assumptions used</b>		
Discount rate	8.02 %	8.70 %
Health care host inflation rate	7.91 %	7.91 %
Salary inflation	0.73 %	7.41 %
<b>Key demographic assumptions</b>		
Average retirement age	63 for males, 63 for females	63 for males, 60 for females
Continuation of membership at retirement	90%	90%
Proportion assumed married at retirement	90%	90%
Mortality during employment	SA 85-90	SA 85-90
Mortality post retirement	PA90-1ultimate	PA90-1ultimate
<b>Withdrawal from service (sample annual rates)</b>		
<b>Age</b>	<b>Females</b>	<b>Males</b>
20	24 %	16 %
30	15 %	10 %
40	6 %	6 %
50	2 %	2 %
The projections assume that the municipality's health care arrangements and subsidy policy will remain as outlined and that no contributions are made by the municipality towards prefunding its liability via an off-balance sheet vehicle.		
Contributions or benefits paid refer to medical scheme contributions made by the municipality with respect to its subsidy of current continuation members. There are no past service costs, curtailments or settlements to reflect.		
<b>Long service awards (LSA)</b>		
Opening accrued liability	59,163,261	52,508,155
Current-service cost	4,017,687	5,680,466
Interest cost	4,704,261	3,293,773
Leave/Gifts cashed in	-	(7,244,886)
Benefit vestings	(5,707,508)	-
Actuarial (loss) / gain	(5,742,823)	4,925,753
	<b>56,434,878</b>	<b>59,163,261</b>

The projected unit credit method has been used in the actuarial valuation of the liabilities. The ARCH actuarial consulting company was appointed to perform the actuarial evaluation.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
<b>39. Employee benefit obligations (continued)</b>		
<b>Key assumptions</b>		
Discount rate	7.07%	8.11%
Future salary inflation rate per annum	6.72%	7.20%
Net effective discount rate	0.33%	6.95%

Key demographic assumption

Average retirement age	63 for males, 60 for females	63 for males, 60 for females
Mortality during employment	SA 85-90	SA 85-90

### Withdrawal from service (sample annual rates)

Age	Females	Males
20	24 %	16 %
30	15 %	10 %
40	6 %	6 %
50	2 %	2 %

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle. There are no past service costs, curtailments or settlements to reflect.

### 40. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Description	Amount
Emergencies	9,487,658
Month to month contract	7,298,550
Sole provider	578,655
	<b>17,364,863</b>

The above services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

### 41. Budget differences

#### Material differences between budget and actual amounts

(a) Other revenue: Amount of about R100 million relating to the revaluation of assets was included under other own revenue in the budget.

(b) Remuneration of councillors: Councillors allowances were budgeted for on Grade 6 but were paid on Grade 5 (Remuneration of Office Bearers Act). Councillors allowances will be paid on grade 6 on concurrence by the MEC of local government which concurrence is still outstanding.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the annual financial statements

	2013 R	2012 R
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(c) Debt impairment: This amount is comprised of contributions to 1. debt impairment of R422, 182, 765 and 2. capital expenditure of R346, 325, 007. Debtors of R457, 427, 988 or 8.35% were impaired during the financial year. The amount of capital expenditure is not included in this amount as assets are not finalised yet resulting in the large variance.

((d) Finance costs: An overdraft facility of up to R150 million was secured for the financial year and interest charges on this facility increased our finance charges.

(e) Transfers and grants: No transfers and grants were made to other municipalities during the financial year.

### 42. Auditors' remuneration

Fees	5,513,554	5,643,727
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### 43. Risk management

#### Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings, cash and cash equivalents, and equity.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (and more specifically, interest rate risk, cash flow interest rate risk), credit risk and liquidity risk.

Risk management is carried out under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the municipality maintains flexibility in funding by maintaining availability under committed credit lines.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Long term and other receivables are individually evaluated at reporting date for discounting.

### 44. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations and to ensure proper budgetary control.



## Emfuleni Local Municipality Appendix A

### Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013
		Rand	Rand	Rand	Rand
<b>Development Bank of South Africa</b>					
DBSA Loan (11.81%)	101731	31.12.2012	1,870,334	-	-
DBSA Loan (15.74%)	13554/101	30.09.2020	20,455,540	-	19,181,343
DBSA Loan at 3 months reset	13959/101	31.03.2017	9,646,087	-	7,716,870
DBSA Loan (13.56%)	12625/101	30.06.2014	43,070	-	22,948
DBSA Loan (15.26%)	13014/101	31.12.2012	174,945	-	-
			<b>32,189,976</b>	<b>-</b>	<b>26,921,161</b>
<b>Lease liability</b>					
Mercedes Benz Scifn	30.09.2012	1,645,556	72,958	1,718,514	-
Standard Bank	01.12.2012	2,031,947	-	2,031,947	-
Man Finance	01.12.2013	1,222,210	-	1,215,538	6,672
Moiipone group of companies	10.11.2012	4,916,096	-	4,916,096	-
Vaal Toyota	04.03.2014	4,066,403	-	2,309,276	1,757,127
	28.07.2013	10,315,980	-	9,843,788	472,192
		<b>24,198,192</b>	<b>72,958</b>	<b>22,035,159</b>	<b>2,235,991</b>
<b>Total external loans</b>					
Development Bank of South Africa		32,189,976	-	5,268,815	26,921,161
Lease liability		24,198,192	72,958	22,035,159	2,235,991
		<b>56,388,168</b>	<b>72,958</b>	<b>27,303,974</b>	<b>29,157,152</b>

# Emfuleni Local Municipality

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2013

### Cost/Revaluation

### Accumulated depreciation

	Opening Balance	Additions	Transfers/ad- justments	AUC released	Newly identified assets	Disposals	Closing Balance	Opening Balance	Disposals	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings													
Non residential structures	638,148,657	7,458,207	-	2,704,676	-	-	648,311,540	(57,709,940)	-	(16,173,947)	(108,644)	(73,982,531)	574,319,009
Dwellings	515,396,530	-	-	-	-	-	515,396,530	(119,752,987)	-	(30,312,354)	-	(150,065,341)	365,331,189
	1,153,545,187	7,458,207	-	2,704,676	-	-	1,163,708,070	(177,462,927)	-	(46,486,301)	(108,644)	(224,057,872)	939,650,198
Infrastructure													
Electricity	2,193,424,941	2,756,534	-	-	-	(1,506,267)	2,194,675,208	(328,188,566)	371,946	(80,124,255)	(30,907)	(407,971,782)	1,786,703,426
Roads	6,763,831,805	9,777,499	-	5,553,029	-	(374,809)	6,778,787,524	(1,072,332,564)	148,280	(262,175,966)	-	(1,334,360,240)	5,444,427,284
Water	846,386,231	20,384,635	-	16,975,187	-	(421,981)	883,324,072	(150,992,879)	53,487	(21,965,242)	-	(172,904,634)	710,419,438
Sewerage	1,256,065,986	26,236,424	-	-	-	(3,258)	1,282,299,152	(308,353,128)	138	(28,596,907)	(399,226)	(337,351,123)	944,948,029
Solid waste disposal	122,834,377	-	-	-	19,239,383	(3,900)	142,069,860	(1,472,447)	3,541	(19,520,291)	-	(20,989,197)	121,080,663
Cemeteries	23,272,921	-	-	-	-	-	23,272,921	(1,018,065)	-	(764,705)	-	(1,782,770)	21,490,151
	11,205,816,261	59,155,092	-	22,528,216	19,239,383	(2,310,215)	11,304,428,737	(1,862,357,649)	577,402	(413,149,366)	(430,133)	(2,275,359,746)	9,029,068,991

# Emfuleni Local Municipality

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2013

### Cost/Revaluation

### Accumulated depreciation

	Opening Balance	Additions	Transfers/ad- justments	AUC released	Newly identified assets	Disposals	Closing Balance	Opening Balance	Disposals	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Heritage assets</b>													
Heritage asset	460,317	7,940	-	-	2,197	(121,700)	348,754	(1,037)	-	-	(1,200)	(2,237)	346,517
	460,317	7,940	-	-	2,197	(121,700)	348,754	(1,037)	-	-	(1,200)	(2,237)	346,517
<b>Other assets</b>													
Machinery and equipment	64,290,758	1,684,462	(4,581,321)	-	1,547,679	(18,685,739)	44,255,839	(33,624,136)	12,123,929	(7,048,963)	(397,966)	(28,947,136)	15,308,703
Furniture and office equipment	30,432,855	1,877,153	(1,421,655)	-	2,379,909	(1,252,876)	32,015,386	(16,418,893)	2,757,989	(3,766,257)	(55,090)	(19,482,251)	12,533,135
Computer equipment	16,962,240	536,334	(1,672,354)	-	622,726	(3,117,867)	13,331,079	(10,300,429)	2,305,503	(1,997,694)	(23,239)	(10,015,859)	3,315,220
Transport assets	46,707,360	1,192,789	-	-	2,254,182	(5,790,031)	44,364,300	(25,776,293)	4,495,876	(5,655,544)	(352,208)	(27,292,169)	17,072,131
Finance leased assets	198,227,533	-	-	-	-	(30,860,528)	167,367,105	(102,944,265)	22,161,400	(31,744,428)	(70,934)	(112,598,225)	54,762,880
Library books	35,613,465	-	-	-	-	-	35,613,465	(24,983,070)	-	(793,767)	-	(25,776,837)	9,836,628
	392,228,311	5,290,738	(7,675,330)	-	6,804,496	(59,707,041)	336,941,174	(214,047,086)	41,844,697	(51,010,651)	(899,437)	(224,112,477)	112,828,697
<b>Total property plant and equipment</b>	12,752,050,076	71,911,977	(7,675,330)	25,232,892	26,046,076	(62,138,956)	12,805,426,735	(2,253,868,699)	42,422,099	(510,646,318)	(1,439,414)	(2,773,532,332)	10,081,894,403
<b>Assets under construction</b>													
Assets under construction	224,592,999	174,752,977	-	(25,232,892)	-	-	374,113,084	-	-	-	-	-	374,113,084
	224,592,999	174,752,977	-	(25,232,892)	-	-	374,113,084	-	-	-	-	-	374,113,084
<b>Intangible assets</b>													
Services	13,849,516	-	-	-	-	-	13,849,516	-	-	-	-	-	13,849,516
Computer software	28,060,262	-	7,675,330	-	-	(273,987)	35,461,605	(17,799,283)	203,945	(3,209,211)	(46,328)	(20,850,877)	14,610,728
	41,909,778	-	7,675,330	-	-	(273,987)	49,311,121	(17,799,283)	203,945	(3,209,211)	(46,328)	(20,850,877)	28,460,244
<b>Investment property</b>													
Assets held for sale	976,217,000	-	132,032,622	-	-	(3,843,654)	1,104,405,968	-	-	-	-	-	1,104,405,968
	16,745	-	-	-	-	-	16,745	-	-	-	-	-	16,745
	976,233,745	-	132,032,622	-	-	(3,843,654)	1,104,422,713	-	-	-	-	-	1,104,422,713
<b>Total</b>													
Land and buildings	1,153,545,187	7,458,207	-	2,704,676	-	-	1,163,708,070	(177,462,927)	-	(46,486,301)	(108,644)	(224,057,872)	939,650,198
Infrastructure	11,205,816,261	59,155,092	-	22,528,216	19,239,383	(2,310,215)	11,304,428,737	(1,862,357,849)	577,402	(413,149,366)	(430,133)	(2,275,359,746)	9,029,068,991
Heritage assets	460,317	7,940	-	-	2,197	(121,700)	348,754	(1,037)	-	-	(1,200)	(2,237)	346,517
Other assets	392,228,311	5,290,738	(7,675,330)	-	6,804,496	(59,707,041)	336,941,174	(25,776,293)	4,495,876	(5,655,544)	(352,208)	(27,292,169)	17,072,131
Assets under construction	224,592,999	174,752,977	-	(25,232,892)	-	-	374,113,084	-	-	-	-	-	374,113,084
Intangible assets	41,909,778	-	7,675,330	-	-	(273,987)	49,311,121	(17,799,283)	203,945	(3,209,211)	(46,328)	(20,850,877)	28,460,244
Investment property	976,217,000	-	132,032,622	-	-	(3,843,654)	1,104,405,968	-	-	-	-	-	1,104,405,968
Assets held for sale	16,745	-	-	-	-	-	16,745	-	-	-	-	-	16,745
	976,233,745	-	132,032,622	-	-	(3,843,654)	1,104,422,713	-	-	-	-	-	1,104,422,713
<b>Total</b>	13,994,786,598	246,664,954	132,032,622	-	26,046,076	(66,256,597)	14,333,273,653	(2,271,667,982)	42,626,044	(513,855,529)	(1,485,742)	(2,744,383,209)	11,588,890,444

# Emfuleni Local Municipality Appendix C

## Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>					
1,180,302,311	1,389,894,634	(209,592,323)	1,229,978,168	1,510,316,237	(280,338,069)
(21,227,819)	89,022,159	(110,249,978)	138,703,691	90,979,955	47,723,736
5,122,627	25,292,663	(20,170,036)	64,315,854	42,262,100	22,053,754
		Executive & Council/Mayor and Council			
43,579,073	48,777,969	(5,198,896)	43,838,371	50,838,119	(6,999,748)
14,812,054	76,655,244	(61,843,190)	12,391,263	111,388,113	(98,996,850)
8,754,619	19,291,655	(10,537,036)	7,921,229	15,238,507	(7,317,278)
39,167,451	120,521,305	(81,353,854)	36,021,464	144,639,373	(108,617,909)
44,492	63,033,746	(62,989,254)	50,830	68,486,244	(68,435,414)
-	8,818,739	(8,818,739)	-	9,938,255	(9,938,255)
		Control			
313,357,601	335,400,087	(22,042,486)	323,809,602	213,395,685	110,413,917
324,249	155,660,286	(155,336,037)	121,356	220,719,675	(220,598,319)
510,661,696	524,653,935	(13,992,239)	696,108,261	414,172,421	281,935,840
1,449,431,430	1,240,491,160	208,940,270	1,646,339,709	1,417,106,466	229,233,243
432,570	6,628,977	(6,196,407)	475,752	7,944,434	(7,468,682)
		Other/Air Transport			
<b>3,544,762,354</b>	<b>4,104,142,559</b>	<b>(559,380,205)</b>	<b>4,200,075,550</b>	<b>4,317,425,584</b>	<b>(117,350,034)</b>
<b>Municipal Owned Entities</b>					
<b>Other charges</b>					
3,544,762,354	4,104,142,559	(559,380,205)	4,200,075,550	4,317,425,584	(117,350,034)
		Municipality			
<b>3,544,762,354</b>	<b>4,104,142,559</b>	<b>(559,380,205)</b>	<b>4,200,075,550</b>	<b>4,317,425,584</b>	<b>(117,350,034)</b>